



March 30, 2000

U.S. Army Corps of Engineers, Walla Walla District
Attention: Lower Snake River Study
201 North Third Avenue
Walla Walla, WA 99362-1876

**Regarding the Lower Snake River Juvenile Salmon Migration Feasibility Report/Draft
Environmental Impact Statement:**

With this letter, we submit our comments on the above referenced Corps of Engineers (Corps) study and Draft Environmental Impact Statement (DEIS). The decision on whether to breach the four Lower Snake River dams is one that should be made with full knowledge and understanding of the environmental and economic consequences of choosing such a monumental set of actions. After careful review, we believe that the DEIS does not adequately reflect the full range of economic and transportation consequences that would occur if the dams were breached.

Our comments fall into three categories: (1) transportation impacts that would occur in Oregon; (2) impacts to the shipment of containers which are not addressed in the Corps' report; and (3) technical suggestions for improving the Corps' analysis, and correcting apparent flaws in the existing methodology. In addition, with this letter we submit for your review and inclusion in the Final Report/EIS, the recently completed study on transportation impacts that would occur in Oregon from breaching the Lower Snake River dams (Appendix A).

Breaching the Lower Snake River Dams: Transportation Impacts in Oregon

1 The Port of Portland, Oregon Economic and Community Development Department, Oregon Department of Agriculture, and Oregon Department of Transportation recently completed a study of transportation impacts that would occur primarily in Oregon if the Snake River dams were breached. The study, *Breaching the Lower Snake River Dams: Transportation Impacts in Oregon* (State of Oregon/Port Study), was conducted by HDR Engineering and included a strong independent peer review element to test and validate assumptions and methodologies. The study, which was completed in February of this year, highlighted the impacts to segments of Oregon's economy and transportation system that would result from the proposed dam breaching. A similar study of Washington impacts was conducted by HDR for the State of Washington. The analysis the Corps conducted did not take these regional impacts into account.

The State of Oregon/Port Study shows that Oregon's ability to compete in the global marketplace will be hindered by a Snake River dam breaching. The analysis identified impacts in three specific areas not addressed by the current Corps' DEIS. In summary they are:

1. The barge industry, which currently operates on the Columbia and Snake Rivers, is predicted to lose 20 to 50 percent of industry-wide profits. This loss could result in changes in the barge industry leading to long-term transportation rate increases for all businesses utilizing the Columbia River barge system, not just those shippers currently utilizing the Snake River.
2. The potential loss of as many as 9,000 export containers shipped out of Lewiston, Idaho could limit the viability of Portland as a container port for some carriers. Portland would likely lose direct container service to Australia/New Zealand, Europe, and South America. Businesses shipping to those countries through the Port of Portland or under a Portland bill of lading would be forced to pay more to get their products to other ports for export. Shippers throughout the region, even those who do not use the barge system, could face rate increases of \$200 per container if "vulnerable" transpacific services leave Portland for the Puget Sound.
3. Increased transportation costs in Oregon and Washington could cause some land to be taken out of wheat production. Increased transportation costs were estimated at \$0.13 per bushel for parts of northeastern Oregon, and as high as \$0.23 for some areas in eastern Washington. In Oregon these cost increases would affect a region already identified as economically distressed.

These impacts and the reasons they should be included in the Corps analysis are discussed in greater detail in the following two sections.

Transportation Impacts in Oregon

Many other impacts to Oregon's transportation system have not yet been considered in the Corps' DEIS, and should be included in the final document.

Breaching the four Snake River dams would end the current practice of barging commodities on the Snake River. While many goods would continue to be shipped on the Columbia River between the Tri-Cities and Portland, producers currently shipping via barge on the Snake River would be forced to either truck their freight to the Tri-Cities or find alternative means of shipping their goods to market altogether.

With dam breaching, the demand for barge service would be reduced as shippers move to alternative modes, including rail and long-haul trucks directly to export facilities. The reduced demand would result in a potential loss of profit to the Columbia-Snake River barge industry of \$4 million to \$11 million per year. A loss of volume and changes in revenues and equipment utilization could limit the ability of barge operators to provide current levels of service on the

2
cont. remaining portion of the Columbia River. Changes could include less frequent calls, or changes in rates. The Corps estimates transportation cost increases for producers in its regional analysis, but does not consider the potential need for barge operators to raise rates in order to handle changes in revenues and costs. As a result, we believe that the true impacts to Oregon producers have not been fully captured in the Corps' regional analysis.

Even without any change in rates, shifts in shipment patterns will affect Oregon producers. Producers in Walla Walla County, Oregon who currently load their goods onto barges at Lewiston would see an increase of \$0.13 per bushel. The State of Oregon/Port Study found that in areas experiencing a \$0.13 per bushel increase, agricultural land with yields of less than 45 bushels per acre may be at risk of being taken out of production. These increased transportation costs could reduce the value of some farmland in eastern Oregon and eastern Washington by an estimated \$88 per acre.

3 Across the region, transportation cost increases could result in marginal lands being taken out of production, and a reduction in land values. Low yield dryland wheat farm acreage in Walla Walla County, Oregon, and Lincoln and Adams Counties in Washington are at greatest risk of being removed from production. The drop in land values could affect any area where less cost-effective transportation methods would have to be used or where rate increases, such as those identified for the barge industry, would increase the cost of the most efficient transportation mode. This drop in land values would have ripple effects on the local economies of these areas.

Impacts to Portland Container Service

4 Changes in container services provided through the Port of Portland would have particular impact on Oregon and regional businesses competing in world markets. The Corps' DEIS significantly understates the impact a dam breaching would have on these container services. The special conditions that dictate the shipment of containers in the region were not captured in the Corps' analysis: Containers were lumped into a "non-grain commodities" category and were given only a very cursory review. Based on the conclusions found in the State of Oregon/Port Study, we believe a more explicit calculation of impacts to the shipment of containers should be included in the Corps' final EIS.

Container barging provides the most cost-effective means to transport 9,000 containers annually from Lewiston to deep-draft container shipping in Portland. Breaching the Snake River dams would end barging from Lewiston and significantly raise the cost (about \$300/container) to transport containers from that region. While an analysis of this impact is included in the DEIS, consideration of transportation impacts to the region caused by partial loss of ocean container service at Portland as a result of dam breaching is not included.

The connection to the upriver region provided by container barging is an important incentive to ocean carriers bringing container vessels to Portland. Breaching the Snake River dams would significantly reduce or eliminate this incentive for vessels that call Portland to serve Snake River

cargo. With a dam breaching, the State of Oregon/Port Study shows that up to four of the six Portland container services may choose to stop calling Portland if containers no longer were shipped on the Snake River. Two of these carrier services are considered "likely" to stop calling and two others are considered "vulnerable." This could result in loss of direct service to markets in Australia, New Zealand, South America, and Southern Europe, and possible reduction in service to the Pacific Rim.

These conclusions are based on a review of ocean carrier costs associated with bringing vessels directly to Portland as compared to serving the same markets indirectly from the Puget Sound. This review, which can be found in Technical Memorandum No. 4 - Findings (attached with this document as Appendix A), provides detailed analysis supporting the conclusions that dam breaching will affect ocean container service at Portland.

If a portion of direct Portland container service is lost as a result of dam breaching, regional container shippers, including those shippers not using the barge system, would need to find alternatives to transport their goods to market. In most cases, the alternative to direct service to Portland is for regional container shippers to make more lengthy drays to and from terminals in Seattle or Tacoma by truck and rail. The net impacts of these drays would be:

- Increased costs to shippers,
- Possible loss of export markets for certain shippers,
- Increased congestion and wear on road and rail infrastructure,
- Increased energy consumption and air emissions.

Specific Comments on the Feasibility Study/EIS

A technical review of the Corps' DEIS by Port staff has identified some alarming inconsistencies in the outputs of the model used by the Corps to identify cost increases that would occur as a result of dam breaching. Since this model has not been made available for public scrutiny it is difficult to put much faith in its results when:

- The model shows cost decreases for some origin-destination pairs, meaning that the model is comparing a non-optimized base condition with an optimized post-dam breaching scenario, thereby understating and minimizing the impacts of a drawdown.
- The model shows increased ton-miles for grain shipped by barge for every state covered in the model. This means that the model somehow assumes that either more grain will be shipped by barge, or that the grain being shipped will be shipped for a longer distance. Since the Corps' DEIS also shows a reduction in the volume of grain shipped by barge, and because an increased shipping distance on the river for any commodity is improbable, these results cannot be correct.

- 5
cont.
- The model incorrectly calculates shipping and handling costs for some areas. While the Corps has suggested that these problems will be resolved in the final report, the existence of such obvious errors raises serious questions about what other errors in calculation may not have been caught.

Until the model has undergone careful, outside scrutiny these problems cannot be completely resolved. We recommend that, in order for the economic analysis to be a useful component of any decision on the future of Lower Snake River dams, the model should be subject to a careful, independent peer review to address the inconsistencies and errors that currently exist. A full documentation of this review should be made available for public review. A more detailed account of these problems and other issues identified by Port staff is included as Appendix B with this document.

We appreciate the opportunity to comment on the Corps' DEIS. There is no doubt that dam breaching will have a profound economic and transportation impact on the local and regional economy of the northwest. It is our hope that the Corps will strengthen its economic analysis to more accurately reflect the full range of consequences that would occur from breaching dams on the Lower Snake River.

Yours very truly,



Mike Thorne
Executive Director

Attachments: Appendix A
Appendix B
- Tennessee Valley Authority Study